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Economic policy that's stuck in reverse

By: Jeff Sessions

As record levels of federal spending bring us ever closer to a tipping point, the Obama administration blissfully continues business as usual. We have seen no real plan, no strong leadership, no apparent willingness to confront the growing danger on the horizon.

I fear we are on course to repeat history.

Before the financial crisis of 2008, then-Treasury Secretary Hank Paulson reassured Americans that he had the "housing correction" under control and had "confidence in our capital markets and in their resilience." Just a few months later, Paulson declared that our financial system was "on the verge of collapse" and that "we have not in our lifetime dealt with a financial crisis of this severity."

For years, Washington officials played down the systemic risks behind the crisis while they pushed policies that hastened its arrival.

Today, we are again rushing in the wrong direction.

Last month, President Obama would agree to maintain current tax rates only if Congress would agree to increase federal deficit spending. We are headed toward a cliff, yet the president hits the accelerator.

Meanwhile, others are moving in the opposite direction. England has a plan to cut its deficit by 86 percent in just four years. New Jersey Gov. Chris Christie has a plan to close his state's funding gap without raising taxes. Even California's new liberal governor has put forward a plan to cut state spending by 9 percent.

The Washington bubble has never been so thick.

Just days ago, former Federal Reserve chairman Alan Greenspan ominously warned that U.S. debt may lead to a bond market crisis in two to three years. A debt crisis continues to spread through Europe that could reach our financial markets any moment.

Now is the time to act. Yet the president continues to resist any meaningful steps to secure our financial future.

Perhaps most disturbing were comments from Obama's chief economic adviser, Austan Goolsbee, who lashed out at Republicans for trying to lower the deficit as part of the effort to raise the debt ceiling, which we are on track to hit in March. He scolded Congress: "Do not tie the discussion about the budget to a thing that is fundamentally about the trustworthiness of the U.S. fiscal system."

Yet our excessive spending is central to the discussion of our debt. If Goolsbee's chief concern is the trust of investors, then he should join Republicans in addressing the problems that are eroding that trust in the first place. No one gains confidence in this country - or in this administration - by delaying needed action yet again.

To begin turning the corner, I propose that any effort to raise the debt ceiling be tied to no less than a sustained 10 percent reduction of current discretionary spending. Though this is only a first step, it would finally be a step in the right direction - one the country can easily absorb.

At issue are not only the finances of our country but also its character. It is immoral to continue spending, unearned, the wealth of our children. And continuing to do so will diminish our quality of life at home and our standing abroad.

On Tuesday, President Obama will deliver his State of the Union address. Soon after, he will come forward with a new budget. This is a defining moment for his presidency. His proposals cannot be timid. And he must demonstrate that he is at last willing to shed his Keynesian worldview.

As we enter the annual budget season, Washington will need to consider the kind of change this country has not accomplished since 1997 - when a strong Republican Congress passed a budget that converted soaring deficits into surpluses.

We need a budget with a bold vision - like those unveiled in Britain and New Jersey; one that reduces both the size of the deficit and the size of the government. We need a budget that does not require tax increases as the price for spending cuts - because while the spending cuts may disappear, the economic drain of higher taxes will not. And we need a budget that turns us back from the cliff so we can head down a new road - toward leaner government, responsible spending and a thriving private sector.

The goal is not an era of austerity but an era of prosperity. Good policy will get us there.

But for now, the president remains unwilling to lead us in that direction.

The writer, a senator from Alabama, is the ranking Republican on the Senate Budget Committee.